



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 05-19, Kentucky State Income Tax Withholding

Date: May 12, 2005

To: Holders of TAXES (State of Kentucky only)  
Personnel User Groups  
T&A Contact Points in Kentucky

Beginning with wages paid for Pay Period 9, the National Finance Center (NFC) will make the following changes to the state of Kentucky income tax withholdings:

- The standard deduction will increase from \$1,870 to \$1,910.
- The nontaxable flexible spending accounts (health care and dependent care) deductions statement will be added to step 2 on the state tax formula.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page ([www.nfc.usda.gov](http://www.nfc.usda.gov)) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630**. Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at [customer.support@usda.gov](mailto:customer.support@usda.gov).

MARK J. HAZUDA, Director  
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# Kentucky State Income Tax Information

**State Abbreviation:** KY  
**State Tax Withholding State Code:** 21  
**Acceptable Exemption Form:** K-4  
**Basis For Withholding:** State Exemptions  
**Acceptable Exemption Data:** 0 / Number of Exemptions  
**TSP Deferred:** Yes  
**Special Coding:** Determine the Total Number Of Allowances field as follows:  
     **First Position** - Enter 0 (zero).  
     **Second and Third Positions** - Enter the number of exemptions claimed.  
**Additional Information:** None

## Withholding Formula ►(Effective Pay Period 9, 2005)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) ►(includes flexible spending account - health care and dependent care deductions)◄ from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.
5. Subtract the standard deduction of ►\$1,910◄ from the result of step 4 to compute the taxable income.
6. Apply the taxable income computed in step 5 to the following table to determine the annual Kentucky tax withholding.

**Tax Withholding Table**

If the Amount of Taxable Income Is:		The Amount of Kentucky Tax Withholding Should Be:		
Over:	But Not Over:			Of Excess Over:
\$ 0	\$ 3,000	\$ 0	plus 2%	\$ 0
3,000	4,000	60	plus 3%	3,000
4,000	5,000	90	plus 4%	4,000
5,000	8,000	130	plus 5%	5,000
8,000	and over	280	plus 6%	8,000

7. Determine the exemption allowance by applying the following guideline and subtract this amount from the result of step 6 to compute the annual Kentucky tax withholding.

$$\text{Exemption Allowance} = \$20 \times \text{Number of Exemptions}$$

8. Divide the annual Kentucky tax withholding by 26 to obtain the biweekly Kentucky tax withholding.